

## Eastern Africa Newsletter – July 2012

### PART I: MONTHLY COMMENTARY

22 equity and M&A deals were completed in the region in the last month (see **Deals** section on page 3), indicating that corporate activity is not slowing down as yet in the run up to a Kenyan election in March, as some had feared.



Interest rates have fallen in Kenya, Tanzania and Uganda in response to rapidly decreasing inflation (primarily the result of falling food, energy and fuel prices). This is a welcome and helpful development as we have noted before and we believe rates may decrease further as long as the currencies remain stable, which seems possible with the increasing inflow of dollars from natural resources exploration businesses in particular.

The Eastern African natural resources story is now moving at an astounding pace. In Tanzania “on-shore” oil exploration began at Lake Tanganyika through Australian firm Beach Energy and first gold was announced to be expected by AIM listed Shanta Gold at its New Luika mine. In Ethiopia 9 oil exploration companies are now operating, with drilling expected later in the year, and BHP is now expecting to begin production of potash in 2014. In Kenya Apache announced it is to begin drilling for the country’s first deep-water oil next month and Marathon Oil of the US agreed to acquire stakes in 2 of Africa Oil’s Kenyan blocks.

In the private equity space we saw investments and exits in the banking, agriculture, energy, real estate and foods sectors in Eastern Africa and more firms looking to establish a physical presence in the region – likely to be another form of continued support for regional currencies and economies. We are encouraged by a number of exits as well as investments being made. Further, we feel there is increasing likelihood of listings becoming a tested and viable exit route for private equity firms in the region. Although it can be challenging to make a full exit at IPO through East African listed equity markets, we feel a likely achievable strategy is to list a portfolio company and allow the secondary market liquidity to build through good operating performance for one or two years before seeking full sell-down of the position. We are also seeing increasing ability to exit through a secondary buyout to international PE firms looking to gain exposure to the region (through lower risk investments) or through full trade sale to international firms looking for a platform as well as regional firms seeking to grow market share.

Another decent month for East African public equities with the key regional exchanges now having recovered a significant amount of the losses of 2011. The GEMS mid cap market in Nairobi is now almost a reality with one final approval required from the regulators for the market structure (exchange regulated) and training of market participants is scheduled to begin next month. We believe this could be a very exciting market, given the scale and importance of the small and mid cap sector in the regional economy.

Finally, we have had quite a busy month ourselves strategically. We have opened a regional office in Kampala as well as strengthened our presence in Tanzania and Ethiopia with the addition of a non-executive director and consultant in those respective territories. We have also welcomed a further analyst to our corporate finance team in Nairobi. Please see further details in the Appointments section of this newsletter.

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## PART II: FINANCIAL MARKET STATISTICS

### Key Africa Equity Indices Performance

Equity Index	1/2/2012	6/4/2012	6/29/2012	% Performance for Month	% Performance YTD
NSE20	3,212.86	3,653.29	3,703.94	1.4%	15.3%
DSEI (TZ)	1,303.23	1,315.19	1,439.12	9.4%	10.4%
UGSINDX	832.59	1,022.95	1,046.53	2.3%	25.7%
NGSE All Share	20,730.63	21,785.37	21,599.57	-0.9%	4.2%
EGX 30	3,679.96	4,609.48	4,708.59	2.2%	28.0%
JALSH (SA)	31,985.67	33,076.30	33,708.31	1.9%	5.4%
S&P 500	1,258.86	1,278.18	1,362.16	6.6%	8.2%
FTSE 100	5,572.28	5,260.19	5,571.15	5.9%	0.0%

### Key Global Currency Performance

Currency	1/2/2012	6/4/2012	6/29/2012	% Performance for Month	% Performance YTD
KES / USD	85.10	85.90	84.15	2.1%	1.1%
TZS / USD	1,582.00	1,580.14	1,571.50	0.5%	0.7%
UGX / USD	2,480.00	2,485.40	2,474.60	0.4%	0.2%
ETB / USD	17.29	17.61	17.73	-0.7%	-2.5%
ZAR / USD	8.07	8.50	8.18	3.9%	-1.3%
NGN / USD	162.30	161.11	163.05	-1.2%	-0.5%
EGP / USD	6.03	6.04	6.06	-0.4%	-0.5%
USD / GBP	1.55	1.54	1.57	-1.9%	-1.1%
EUR / USD	0.77	0.80	0.79	-1.4%	2.4%

### Key Global Commodity Performance

Commodity	1/2/2012	6/4/2012	6/29/2012	% Performance for Month	% Performance YTD
Gold	1,590.00	1,606.00	1,598.50	-0.5%	0.5%
Oil	102.96	83.95	85.04	1.3%	-17.4%
Silver	2,878.00	2,738.00	2,708.00	-1.1%	-5.9%
Copper	7,660.50	7,363.75	7,604.25	3.3%	-0.7%

### Interest Rates

Country/Region	Base Rate
Central Bank of Kenya (Kenya)	16.50 %
Bank of Uganda (Uganda)	19.00 %
Bank of Tanzania (Tanzania)	7.58 %
South African Reserve Bank (RSA)	5.50 %
Central Bank of Nigeria (Nigeria)	12.00 %
Central Bank of Egypt (Egypt)	9.25 %
Bank of England (UK)	0.50 %
Federal Reserve Bank (USA)	0 - 0.25 %
European Central Bank (EU)	0.75 %

Date	Buyer	Seller	Investment size	Synopsis
25/07/2012	Pretoria Portland Cement & South Africa's Industrial Development Corporation	Habesha Cement SC	\$21million	Pretoria Portland Cement and South Africa's Industrial Development Corporation are to pay 21 million US dollars for an almost half share of Habesha Cement SC, Ethiopia. Pretoria Portland will pay 12 million US dollars in cash for a 27% percent share of the Ethiopian cement factory while the state owned SAIDC will pay 9 million for an additional 20% according to a statement released by PPC. Habesha is undertaking the construction of a 130 million US dollar cement factory with the capacity to manufacture 1.4 million tons of cement annually. The share company has secured an 86 million US dollars debt financing from the development bank of Ethiopia towards the construction project. The deal is the first investment by PPC in Eastern Africa with the company expecting to earn as much as 50% of its revenue outside of South Africa in the coming years.
24/07/2012	Lonrho Group			The Lonrho Group will make a re-entry into Kenya's hotel business with the construction of a 200-room hotel, seven years after it sold its hospitality industry interests to a consortium led by Saudi Arabia's Kingdom Hotel Investments (KHI). Lonrho, which is listed at the London Stock Exchange, sold five hotels including Norfolk Hotel, Mount Kenya Safari Club and The Ark for about \$60 million (now Sh5 billion) to KHI and Fairmont Hotels & Resorts that manages the hotels. The hotel will be called Lansmore Hotel and its comes at a time when the company has reduced its interests in Kenya, especially with the sale of a 49 per cent stake in Fly540 to a British investment firm in a deal worth Sh7.2 billion.
23/07/2012	Marathon Oil			US petroleum company, Marathon Oil, is set to join the Kenyan exploration industry after it signed a deal to acquire stakes in two blocks. According to the Houston-based company, it had agreed to acquire a 50 per cent stake in block 9 in north-eastern Kenya presently held by Canada's Africa Oil and subject to approval by the government. Marathon Oil also plans to acquire a 15 per cent stake in block 12A in the Rift Valley presently controlled by Africa Oil and its British partner, Tullow Oil. According to a statement from Africa Oil, it will maintain operatorship in block 9 but Marathon Oil has the right to assume operatorship if a commercial discovery is made. Marathon Oil will pay Africa Oil an entry payment of \$35 million which include prior expenditures and fund the Canadian firm's working interests for the next three years at a maximum budget of \$43.5million.
20/07/2012	Taipan Resources Inc			Taipan Resources Inc has gained a foothold in Kenya's onshore oil exploration areas 1 and 2B by merging with Lion Petroleum Corporation. Taipan under the terms of amalgamation has issued 20,124,817 common shares to Lion shareholders who owned 20 per cent and 100 per cent stakes respectively in the 1 and 2B acreages in north eastern Kenya. The Toronto Stock Exchange quoted firm issued the shares in exchange of all of issued and outstanding share capital of Lion besides completing a private placement raising \$11.5 million by issuance of 23,000,000 units. Afren Plc owns 80 per cent of exploration area1.
17/07/2012	I&M Bank Proparco DEG	Actis		Actis, the UK emerging markets private equity group, exited a bank investment in Rwanda, making a 30 per cent annual rate of return over eight years. The company, which has \$300m invested throughout East Africa and intends to invest another \$200m in the next four years, bought an 80 per cent stake in Banque Commerciale du Rwanda, Rwanda's second-largest bank, when it privatised in 2004. In the past eight years, the bank, in which the government retained a 20 per cent stake, brought on new management, added customers, branches and new products such as retail loans and mortgages, in one of Africa's smallest, best run economies. Actis sold its stake on Tuesday for an unnamed sum to a Kenyan bank, I&M Bank, along with two French and German state development finance institutions, Proparco and DEG.

Date	Buyer	Seller	Stake	Synopsis
09/07/2012	Massmart			South African retail giant Massmart is looking to set up shop in Kenya, offering consumers more choice and raising competition in the retail sector. According to Actis, a private equity fund, Massmart — through its subsidiary Game — booked space in its Sh12.6 billion real estate development on Nairobi's Thika Superhighway. The investment will house Kenya's biggest mall at 50,000 square foot. The entry of Game, which operates 105 stores in 12 African countries, will shake up Kenya's formal retail market that is dominated by locals Tuskys, Nakumatt, Uchumi and Naivas and offer the South Africa retailer a piece of the market after the exit of retail chain Metro Cash and Carry in 2005.
09/07/2012	Voxtra	Mtanga Farms Limited (MFL),	US\$ 1.5 million	The Voxtra East Africa Agribusiness Fund (Voxtra) completed an investment of US\$ 1.5 million in Mtanga Farms Limited (MFL), a commercial farm engaged in seed crops, arable farming and livestock. The investment marks the first of a projected 8 to 10 investments targeting companies with pivotal roles in improving the livelihoods of smallholder farmers. Voxtra's investment will enable MFL to take its seed potato business to a commercial scale, triple its farmed acreage and significantly ramp up its budding livestock operation. Mtanga Farms is an integrated agri-business based in Iringa, Tanzania. Its operations extend over 2,600 hectares, previously farmed but long neglected when MFL secured its long-term lease of the land in 2009.
04/07/2012			\$5.8million	Nigerian company, Continental Reinsurance, opened a regional office in Nairobi in a drive to grow its presence in Africa. The Sh500 million investment is expected to intensify competition for Kenya's four reinsurers and give underwriters more alternatives in the market. The Lagos stock exchange-listed firm has incorporated a Nairobi-based office to oversee East and Central Africa and is backing it up with a Sh800 million increase in capital base. Continental Re opened a Nairobi branch in 2009 but says the growing demand for reinsurance business has informed the upgrade to a fully-fledged regional office.
03/07/2012	Bank of China			The Bank of China received the green light from the Central Bank of Kenya to set up a representative office in Nairobi. The move is aimed at easing the flow of Chinese loans to East Africa and as a first step towards opening a fully-fledged commercial bank. Bank of China, which is majority owned by the Chinese Sovereign Wealth Fund and the world's fifth largest company, will market the products of its parent company in Beijing with focus on investment banking, corporate banking and asset financing. It hopes to get a piece of the rising trade between Kenya and China that has increased from Sh55 billion in 2007 to Sh148 billion last year with its focus on the region's infrastructure projects—which are mainly handled by Chinese firms.
03/07/2012		K-Rep Bank	\$ 6.9million	K-Rep Bank suspended the planned public share sale, meant to help the bank raise additional capital, after its current shareholders increased their stake through a capital injection of Sh600 million. This will be the second time K-Rep will be suspending its plan to list. In 2009, the bank expressed interest to list, but shelved the move after it registered a Sh400 million loss. The bank recently unveiled a new corporate identity with the objective of repositioning itself as the institution for small and micro entrepreneurs.
03/07/2012		Athi River Mining	\$ 95million	Cement manufacturer Athi River Mining (ARM) entered into a financing agreement with Aldwych International Ltd, a specialist in power projects, to fast-track its coal-fired plant. ARM is seeking to cut high energy costs that have been eating up its gross margins and ensure stable power supply. Besides firing its plant, the balance will be sold to the national grid. ARM's chief executive, said the installation of a 66MW plant was estimated to cost Sh8 billion (\$95 million) over a period of two years.

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04/07/2012		Continental Reinsurance	\$ 5.8 million	Nigerian company, Continental Reinsurance, opened a regional office in Nairobi in a drive to grow its presence in Africa. The Sh500 million investment is expected to intensify competition for Kenya's four reinsurers and give underwriters more alternatives in the market. The Lagos stock exchange-listed firm has incorporated a Nairobi-based office to oversee East and Central Africa and is backing it up with a Sh800 million increase in capital base.
06/07/2012	Actis	Garden City		Actis has invested an undisclosed amount in the building of Kenya-based shopping complex, Garden City. The investor has backed the mall on expectation of strong demand from both local and global retailers. The retail mall will include a flagship store for Game – the first in Kenya. South-Africa based fashion group Foschini is also considering opening a store in the mall. The complex is set to be opened in May 2014. Based in Nairobi, Garden City will be a 50,000 sqm retail mall that incorporates commercial premises, 500 new homes and a four acre central park. The complex will also house an outdoor events arena for concerts and shows.
03/07/2012	Simba Colt Motors	Mahindra Limited	\$ 5.8million	Indian car maker Mahindra Limited re-entered the Kenyan market more than a decade after it exited. The firm, which was known for its flagship brand Mahindra — mainly targeting government departments — has entered a Sh500 million partnership with family-owned Simba Corporation, owners of Simba Colt Motors to distribute three new models in the region. Mahindra has a presence in South Africa, Morocco, Tunisia and Egypt, among others countries in Africa.
09/07/2012	Africa Media Ventures Fund	Eat Out		Kenyan restaurant guide website Eat Out sold a minority stake to Dutch venture capitalist Africa Media Ventures Fund to raise expansion capital and bring on board expertise to help move to new markets. The three-year-old local start-up sold 25 per cent of its business as it eyes roll-out in Uganda, Rwanda and Tanzania by the end of the year. Eat Out is owned by Websimba Ltd. Both the proprietor and the fund declined to disclose the value of the deal, but it represents an important development in the fledgling web-based business scene. Kenya has in the recent years increasingly attracted international agencies and multinational staff while a growing middle class is proving a fertile investment ground for the hospitality industry.
09/07/2012		Neuchatel Chocolate		Tanzania will soon become the first East African country to produce and export chocolates. The move will also bring down prices of chocolate. The Export Processing Zone Investors Facilitation Officer, Mr. Lameck Borega, said at the 36th Dar es Salaam International Trade Fair (DITF), that Neuchatel Chocolate, a Swiss chocolate making company, is to open base at the EPZ in September where it will make chocolates for export to Swiss markets. Neuchatel Chocolates is a premium Swiss chocolate producer.
09/07/2012		US Marriott Hotel		Kigali is set for a major status boost with the entry of US Marriott Hotel chain next year. The hotel will be housed in a (Sh5.1 billion) \$60 million building currently being constructed by Kigali-based New Century Development Ltd. New Century Development Ltd was founded by Rwandan entrepreneurs and a group of Chinese investors in 2009, and soon after entered into negotiations with the Americans for the hotel project. The 250-room hotel is expected to be the biggest in Rwanda.

## PART III: SELECTED DEALS (4/4)

Date	Buyer	Seller	Investment size	Synopsis
29/06/2012	Silk Invest	NAS Foods		UK-based investment vehicle Silk Invest purchased a minority stake in Ethiopian biscuit maker NAS Foods. The move once again highlights the growing opportunity presented by the rapidly expanding markets in Africa. Although food groups operating in African countries are faced with challenges - particularly related to infrastructure and transportation - these markets are significant in size and growth continues to be fuelled by population growth and an expanding middle class.
06/06/2012	XSML	Millenium Telecom		Private equity fund manager XSML invested in Central African Republic Internet service provider Millenium Telecom, in a deal that is expected to finance the company's plans to become the first mobile broadband operator in the region. The deal has been made from the firm's Central African SME Fun, which was established in November 2010 and invests in the DRC and Central African Republic. The fund focuses on providing private equity finance and management expertise.
25/06/2012	OPIC	Medu Capital Fund III		The US government's development finance institution, Overseas Private Investment Corporation, announced a \$65 million financing in a new private equity investment fund for South African small businesses. The fund, Medu Capital Fund III, will invest in small and Middle-market companies primarily in South Africa, but may also consider investments in other African countries. It will be managed by Medu Capital Ltd. It has a target capitalization of \$300 million. Medu was founded in 2003 with support from Brait, a South African firm.
20/06/2012	OPIC	Actis Africa Real Estate Fund 2 LP	\$100million	The Board of Directors of the Overseas Private Investment Corporation (OPIC), the U.S. Government's development finance institution, approved up to \$100 million in financing for an investment fund that will produce quality commercial real estate in sub-Saharan Africa. The region is one of the fastest-urbanizing areas in the world, but suffers from significant underinvestment in office space. The Actis Africa Real Estate Fund 2 LP will invest primarily in greenfield property developments in high-growth markets in East and West Africa, with a focus on retail and office sectors, as well as some residential and mixed-use development. Target countries include Ghana, Kenya, Nigeria, Tanzania, Uganda and Zambia. The fund has a target capitalization of \$250 million.
02/07/2012	K&A Private Equity	Muchanga Capital		New York-based private equity firm, K&A Private Equity, launched its first Africa-focused fund, Muchanga Capital. According to the firm, they are currently raising money for its first Africa-focused fund closing at \$100 million, slated for March 2013. At the moment, the firm has received commitments to the tune of \$30 million from an African sovereign fund and a French bank. It targets investments in the mining, agribusiness and construction sectors.

## PART IV: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
Banking Outlook Africa	30-JUL-12 to 03-AUG-12	Sandton Convention Centre, Sandown, Johannesburg	Banking Outlook Africa is a Two Day Conference, Two Day Workshop with a separate bookable day for Banking Technology.
Africa Global Fair 2012	28-30 Aug-12	Malaysia	Here, Africa's pedigree will be showcased to international investors at Kuala Lumpur's prestigious Exhibition and Conference Centre.
The Annual Africa Property Investment Summit	4 to 5 -Sep-12	Sandton Sun Hotel, Johannesburg	The Africa Property Investment Summit is independently co-ordinated by players currently active on the continent, ensuring the highest calibre of delegates and speakers to discuss latest trends, share experiences and enjoy insightful debate. The 2011 summit brought together delegates from 16 different countries with excellent industry representation. The Africa Property Investment Summit has established itself as the premier event of its kind, and has flourished into a full scale networking opportunity bringing together the best real estate minds in the business. The overwhelming response from delegates and corporates alike confirms our mandate to present the definitive forum for local and international property professionals and investors.
The 14th Annual East Africa's Power Industry (EAPIC) Convention	10 to 13 -Sep -12	Dar es Salaam, Tanzania	To assist in tanzania's electricity power generation goals and infrastructure expansion in Generation, transmission & Distribution and foster investor confidence and facilitate more private sector participation.
Hotel Investment Forum	25 Sep-12	InterContinental, Nairobi	Bench Events and The Kenya Tourism Development Corporation (KTDC) announced the Africa Hotel Investment Forum (AHIF) will be hosted in Nairobi on 25-26 September 2012 at the InterContinental. AHIF will aim to showcase the potential Kenya has to offer as well as other high-growth destinations across the continent as a whole. The Economist magazine recently identified that over the past decade six of the world's fastest-growing countries were African. Attending AHIF will offer a platform to meet potential partners and seek out new deals in this exciting growth market.
MBI (Mining Business & Investment) East Africa 2012	27 to 28 -Sep-12	Laico Regency Hotel, Nairobi Kenya	This years' initiative is organised and supported by the Kenyan Ministry of Environmental and Mineral Resources, the East African Community, Kenyan Investment Authority, Kenya Chamber of Mines and Prescon UK. The event promises to bring and array of East African and global leaders together in a forum to examine some of the most critical business management and technology issues facing East African booming mining sector. The MBI East Africa 2012 event will bring together executives and professionals to explore timely themes including investment planning and growth paths for the East African mining sector.
African M&A and Private Equity Forum	September, 2012	Waldorf Hilton, London	This one-day forum is focussed around M&A origination on the sub-continent; examining the investment opportunities, legal frameworks and practical transactional advice for getting deals done in Africa. It attracts an international audience from Europe and Africa of corporates, private equity houses, investment banks, strategic financial advisory, transaction services and legal advisory firms.
16th Kenya International Trade Exhibition (KITE)	06-OCT-12 to 08-OCT-12	Kenya, Nairobi Kenyatta International Conference Center	The 16th KITE - Kenya International Trade Exhibition on multisector products, equipment and machinery will present over 10,000 products, equipment and machinery from over 30 countries. Trade visitors from East and Central African countries are being invited directly and in collaboration with several regional trade bodies in Kenya, Tanzania, Ethiopia, Uganda, Somalia, Mozambique and Zaire.
Eastern African Community (EAC) Investment Forum	16 to 17-Oct - 12	Dubai	EAC Investment Forum which would be held in association with the EAC in Dubai on October 16 and 17, would not only inform the business community of Dubai about the investment potential of the African countries but will also allow both sides to discuss joint cooperation in areas of mutual interest.
The Africa CEO Forum	20 to 21- Nov-12	Geneva	The Africa CEO Forum is the first high-level meeting of heads of major African corporations. The conference and workshop programme of the Africa CEO Forum is dedicated to the challenges African business leaders are confronted with today, its objective being to promote the continent's private sector and to contribute to its international promotion. Developed in close cooperation with the African Development Bank, the Africa CEO Forum is jointly organized by the Groupe Jeune Afrique and Rainbow Unlimited GmbH.
Private Equity in Emerging Markets 2012	23-Oct-12	Intercontinental Park lane, London	With developing countries now attracting a higher proportion of investment capital than ever before and private equity fundraising in these markets reaching its highest level in three years, this timely conference will focus on how investors are maximising returns, managing risk and creating value. Building on the success of last year's event, 'Private Equity in Emerging Markets' will bring together industry leaders to analyse the opportunities in high growth markets within Asia, Latin America, the Middle East, Africa and emerging Europe, with a particular focus on sector potential and prospects for successful exits.
SuperReturn Africa 2012	3 - 5 Dec-12	Mazagan Beach Resort - Casablanca, Morocco	

## PART V: OTHER NEWS (1/6)

### Tanzania to Become Eighth Largest Uranium Producer

The first part of the uranium production will start in the second quarter of 2014 as the producer said all production in the first phase will be for the exportation rather than for local use. Sources from Mantra Tanzania Limited said Tanzanians have nothing to worry as the first batch of the whole production of the uranium mining under Mkuju River Project (MRP) will be for the foreign market first. The government has guaranteed compliance to safety measures at all stages of uranium mining activities following approval by the UN World Heritage Committee to change the borders of Selous Game Reserve where Uranium is found. Speaking to East African Business Week in Dar es Salaam last week, Minister for Natural Resources and Tourism, Amb Khamis Kagasheki said the country has nothing to worry about, in connection with the acclaimed hazards of uranium as application of modern technology would assure safety to the environment and lives. The definitive feasibility study, completed in May 2011, indicated that, once developed, the mine will produce 1,990 tonnes of uranium oxide a year and will immediately overtake the USA which produces 1,560 tonnes according to 2009 estimates. The construction of the MRP planned to commence on the third quarter of 2012, with a 21 month construction period envisaged. It will be the first major mining development within South Eastern Tanzania, bringing jobs and prosperity to a currently under-developed region. Tanzania is expecting an average annual production of 4.2 million pounds (1,900 tonnes) with the potential to expand production further in a second phase. The project will have an initial mine life of 12 years, but with a very strong potential to increase this period significantly, the Mantra statement said and it added that, exploration at the Mkuju River Project site is continuing as the deposit has only been explored for less than four years. The life of a mine, average operating cost of \$22.04 per pound, which makes this a low cost producer, as the capital cost including all associated infrastructure was \$390 million (Tsh 670 billion). Several measures which have been taken so as to avoid the effects of the Uranium mining process are together with provision of education to people who are near by the project area, the Mantra said. Mkuju River Project estimated to create 1,200 jobs during the construction and 600 permanent jobs created during steady state production.

<http://allafrica.com/stories/201207091557.html> 10th July 2012

### Nine Oil Exploration Companies Active in Ethiopia

Nine oil exploration companies are actively operating in Ethiopia with an estimated investment of 2.4 billion US dollars according to the Ministry of Mines. The exploration companies are primarily operating in Afar, Gambella, Middle Abay, Rift Valley, South Omo Somali and Ogaden areas said Bacha Fuji, Director of Public Relations with the Ministry. The companies are at different stages of the exploration process he said. The Ministry has earned above 16.23 million birr from land rent, licensing, training and related activities noted Bacha. The number of companies interested in oil exploration is showing an increase with PetroTrans Company Ltd licensed to explore in Ogaden in this financial year. Negotiations are also underway with a company interested in developing the Gambella basin for oil exploration and development. In related news Tullow Oil, a UK company, is set to start drilling its first well in Ethiopia by the end of this year. Tullow has hired a drilling company to start operation in October according to sources. Prior to this Tullow bought a 50% stake in a concession in a South Omo Valley from Africa Oil. The concession was originally farmed out to Africa Oil by British company White Nile which has been prospecting for oil in the South Omo Valley since 2005. Tullow was recently in the news for having struck oil in the Turkana Basin in Kenya. The Turkana and Southern Omo basins are said to have similar geological feature according to expert sources. The similarities are cause for hope although it is hard to be certain before drilling commences.

<http://www.2merkato.com/201207041395/nine-oil-exploration-companies-active-in-ethiopia>

### **Kenya signs seven more exploration contracts**

The Kenyan government signed seven more exploration contracts out of its 12 remaining petroleum blocks, as the search for oil and gas reserves in East Africa intensifies. According to Martin Heya, Petroleum Commissioner of Kenya, an Italian-based oil and natural gas company Eni has signed exploration contracts for three offshore blocks, as interest for oil and gas reserves in East Africa intensifies. France's Total oil and gas company has also signed an exploration deal on a fourth offshore block, while North American firms ERHC Energy, Pacific Seaboard Investments and Rift Energy each signed a separate deal for one onshore block each. Mr Heya said the government has closed seven oil and gas exploration deals in one week, with Eni acquiring three offshore blocks — L21, L23 and L24. He noted that interest in the country's petroleum blocks has increased significantly since UK-based Tullow Oil made its first oil discovery within the country's border in March. Mr Heya added that this also led for the cost of exploration to increase rapidly, and many investors were not happy about it. Meanwhile, Eni's L21, L23 and L24 blocks and Total's Block L22 are all located in one cluster, about 100 km off the country's northeast coast in deep water. According to Eni the new exploration activities will further strengthen the company's position in the Sub-Saharan region. It also noted that this operation will help the company grow its exploration activity as well as increase its overall production to 450,000 barrels of oil per day. However, the exploration blocks are located in a disputed area between Kenya and Somalia, where the two countries have long been contested over the location of their boundary line near the Indian Ocean. Though the government reassured that the blocks are all located within the country's territory, the misunderstanding of the two countries in terms of their boundaries has threatened the standing of some explorations rights, which Kenya has already given to several oil and gas companies.

<http://www.bizrika.com/news/kenya-signs-seven-more-exploration-contracts.html>

### **Mara Group Signs \$300 Million Investment in Tanzanian Real Estate**

The Ministry of Home Affairs, Tanzania, and Mara Capital, part of the Mara Group, signed a Pre-Development Agreement for a new landmark project to develop a state of the art, urban, commercial hub of approximately 3.5 million square feet. The project will include the largest retail mall in East Africa, 2 internationally branded hotels, modern convention centre, modern medical tourism hospital, modern business park, Residential compound, modern police station, and 300 residential units dedicated for the Police in Oysterbay.

<http://world.einnews.com/article/103529176>

### **Allana Discovers 1.2 Million Tons of Potash in Ethiopia**

Allana Potash announced the discovery of 1.2 million tons of potash deposits in the Dallol depression of Afar Regional State. The Canadian company engaged in large scale mining exploration in Ethiopia anticipates launching into production in one year to supply more than 2 billion US dollars worth of potash. The Canadian-based Alana Potash, which has been undertaking a massive mining exploration in Ethiopia, announced it has discovered over 1.2 million tons of potash deposit in the Dallol depression of Afar region. Allana plans to plant its factory within six months after finalizing its study and after securing the appropriate licensing the company is expected to go operation in January 2014 according to information released from the company headquarters in Toronto. The company plans to supply more than 1 million tons of potash to the market in the same year. The pre-cast visibility study carried out by Allana at Dallol has so far identified four categories of potash level. The company noted that it will produce 1.294 billion tons of deposit identified KCI out of the four categories taking up an estimated 19% of the total share. Allana has already identified the details of the categories from the project sites that is licensed to explore.

<http://www.2merkato.com/201207021387/allana-discovers-12-million-tons-of-potash-in-ethiopia>

**Kenya's Deepwater Debut Heralds East Africa's First Oil**

Apache Corp. (APA) will drill Kenya's first deepwater oil well in August, a prospect that could add a \$70 billion crude find to the record natural-gas discoveries along East Africa's coast. Apache and partners including Tullow Oil Plc (TLW) said the Mbawa well is likely to strike oil based on seismic data and slicks seen on the Indian Ocean's surface. The drilling is targeting as much as 700 million barrels, a resource valued at twice Kenya's annual economic output at today's oil prices. With a 50 percent stake in the well, a strike could add more than 10 percent to Houston-based Apache's reserves. East Africa has become one of the world's most active exploration areas since Anadarko Petroleum Corp. (APC) made the decade's biggest gas discovery off Mozambique. An oil find would be a boon for Kenya as the commodity is easier to sell than the gas found in neighboring Tanzania and Mozambique, which will require spending at least \$50 billion on export plants. The Lamu basin, where Mbawa is sited, may hold as much as 5 billion barrels, according to one of the well's partners. The Mbawa seismic study indicates the possible presence of gas and crude, Bob Brackett, an oil analyst with Sanford C. Bernstein & Co., wrote in a May report. Explorers in East Africa including Anadarko, Statoil ASA (STL), Eni SpA (ENI) and BG Group Plc (BG/) have discovered more than 100 trillion cubic feet of gas, enough to meet U.S. demand for more than four years. The interest in East Africa can be seen in the bidding war for Anadarko's London-listed partner Cove Energy Plc (COV) between Royal Dutch Shell Plc (RDSA) and PTT Exploration & Production Pcl (PTTEP), putting Europe's largest oil company against Thailand's state energy producer. The battle has more than doubled Cove's share price this year. Apache, the second-largest U.S. independent oil and natural-gas producer by market value, will operate the Mbawa well in the L8 Block. The Deepsea Metro 1 rig will take about two months to drill to the 3,250-meter (10,663-feet) target depth at a cost of more than \$60 million. The partners may follow up with the Tai well, which could hold 500 million barrels of oil resources, according to Apache. The Lamu basin geology is similar to areas in Madagascar, the island that was joined to East Africa before splitting apart about 145 million years ago. Since the 1970s, Royal Dutch Shell Plc, Chevron Corp. (CVX) and Eni SpA. along with other companies have drilled in Madagascar, which holds 24 billion barrels of heavy oil resources, according to Afren Plc. (AFR) Only about a dozen wells were drilled off the island.

<http://www.bloomberg.com/news/2012-07-10/kenya-s-deepwater-debut-heralds-east-africa-s-first-oil-energy.html>

**Ethiopia to Generate 450 MW from Geothermal Power**

Ethiopia is exerting efforts to attain the capacity to generate 450 MW of geothermal power according to the Ethiopian Geological Survey. According to Masresha Gebreselassie, Director General of the EGS, plans are underway to generate this energy in Abaya, Alto, Fentale, Kerbito, Tendaho and Tulu Moye in the coming five to seven years. The Survey is in the process of developing the resource even more as the country has significant geothermal resources that yet to be exploited. The Geological Survey has received 16 million birr from Geo-thermal Science consultation, laboratory and drilling services in just the last 11 months according to Masresha. The Survey is also conducting studies on renewable energy sources. Ethiopia received 50 million US dollars from the Climate Investment Fund after the country's investment plan under the Scaling Up Renewable Energy Program for Low Income Countries was approved by the committee members for the CIF. The decision was rendered at the CIF committee meetings that took place in Washington DC from the 30th April to the 4th of May. The African Development Bank, as the implementing agency of the Climate Investment Fund, represented African interests at the week-long meetings. The plan presented by Ethiopia calls for the African Bank to offer investment and technical support to execute Phase II of the Aluto Langanu Geo-thermal Project and Assela Wind Farm Project. The AfDB is expected to inject 23 million US dollars of the total SREP financing to the Ethiopian projects.

<http://www.2merkato.com/201207041394/ethiopia-to-generate-450-mw-from-geothermal-power> 5th July 2012

### **Ethiopia Awards \$1.7 Billion Railway Project to Turkish Company**

The Railway Corporation of Ethiopia awarded a 1.7 billion US dollar railway project to Yapi Mekezi, a Turkish Company. The project will be financed by a loan from the Import-Export Bank of Turkey. The railway project will cover 389 kilometers from Woldiya to Awash forming a part of the larger railway network planned to connect Mekelle in Tigray Regional State to Port Tajura of Djibouti. The project will also include the construction of tunnels, building terminals and stations. The agreement for the railway construction was signed between the Chief Executives of the Ethiopian Railway Corporation and of Yapi Merkezi. Ethiopia signed an agreement for the construction of the 268.2 kilometer Mekelle-Woldiya/Hara Gebeya Railway Project with the China Communications Construction Company, in June. The project is expected to cost an estimated 1.6 billion US dollars and is to be completed in three and a half years. The agreement between the Ethiopian Railways Corporation and the CCC includes an Engineering, Procurement and Construction contract. The railway will link with the Mekele-Woldiya/Hara Gebeya-Semera-Dicheto-Elidar project ultimately connecting Northern Ethiopia with Port Tadjourah, Djibouti. The project is the beginning of three phases of links between Mekelle and Djibouti along the current railroad. The project will include 29 large bridges and 19 kilometers of tunneling work and is expected to be the toughest railway project to date according to the ERC.

<http://www.2merkato.com/201207021385/ethiopia-awards-17-billion-railway-project-to-turkish-company>

### **Obama pushes for US investment into Africa**

Sub-Saharan Africa is poised to see an increase in investment from US-based entities on the back of President Barack Obama's endorsement of a new strategy for the region. The president has put his stamp of approval on the recently released US Strategy for Sub-Saharan Africa, which includes plans to spur the growth of trade and investment into the region. The strategy sends a strong message that the US has no plans of missing out on Africa's burgeoning opportunities. In the strategy document, the US government has admitted that a good number of US businesses are unaware of opportunities in Sub-Saharan Africa. US policy makers have laid out a detailed roadmap to boost US entities' participation in Africa, which includes the launch of a 'Doing Business in Africa Campaign.' Supporting the improvement of Africa's investment climate is high on the list of the US policy makers. In line with this, the US plans to support African governments' capacity to protect against illegal financial activity across the region. The US government is also working on plans to bolster strong financial management standards, in a bid to increase transparency and improve government operational effectiveness. Improved transparency is expected to encourage legal, regulatory, and institutional reforms that will boost investment. The US regulators will work with regional bodies, such as the East African Community Trade and Investment Initiative to reduce barriers to trade and investment flows. On the agenda are plans to bolster trade facilitation, modernize customs processes, harmonize standards and promote regulatory coherence. The push for trade and investment into Africa is part of a four-pillar strategy for Sub-Saharan Africa, which includes strengthening democratic institutions, advancing peace and security, and promoting opportunity & development. The US is partnering with a number of African countries and organisations, to form liaisons that are mutually beneficial.

<http://www.privateequityafrica.com/uncategorized/obama-pushes-for-us-investment-into-africa/>

### **Tender for Sh2.6bn CCTVs to be awarded in July**

Tenders for installation of Close Circuit Television (CCTV) cameras in Nairobi's Central Business district will be awarded mid July as Nairobi steps up war against crime. The entire project for the metropolis will cost Sh2.6 billion. According to Nairobi Metropolitan minister Jamleck Kamau, the ministry is developing the Metropolitan Bill that will see the capital divided into six metropolitan regions to ease the fight against crime. He said money has been set aside to buy the cameras in the first phase covering the Central Business District. The tender was advertised on June 5, 2012 and the opening of the documents has been scheduled for July 19. He told Parliament the government was revising planning and building regulations to require owners of buildings to install the security cameras. Once the installations of CCTV's are complete, Mr. Kamau said links would be provided to business owners to tap into them for police to monitor their property.

<http://www.businessdailyafrica.com/Tender+for+Sh2+6bn+CCTVs+to+be+awarded+next+month+/-/539546/1436550/-/c0jgub/-/index.html>

**Actis exits Rwanda with bank stake sale**

Actis, the UK emerging markets private equity group, exited a bank investment in Rwanda, making a 30 per cent annual rate of return over eight years. The company, which has \$300m invested throughout East Africa and intends to invest another \$200m in the next four years, bought an 80 per cent stake in Banque Commerciale du Rwanda, Rwanda's second-largest bank, when it privatised in 2004. According to Actis MD Michael Turner, In the past eight years, the bank, in which the government retained a 20 per cent stake, brought on new management, added customers, branches and new products such as retail loans and mortgages, in one of Africa's smallest, best run economies. In a sign of the growing appeal of regional banking, Actis sold its stake on Tuesday for an unnamed sum to a Kenyan bank, I&M Bank, along with two French and German state development finance institutions, Proparco and DEG. The Rwanda Development Board, a government body that reports to the president, said the country won 14 times as much foreign direct investment in 2009, at \$118m, since 2004, the year Actis made its investment. Despite its small size, at 10m people, the country has made efforts to develop an investor-friendly climate, streamline taxation and spearhead regional integration. A tiny stock exchange leads the region in regulatory approaches, and it is ranked sub-Saharan Africa's third best country for the ease of doing business by the World Bank.

<http://www.ft.com/intl/cms/s/0/f9a00356-d012-11e1-a3d200144feabdc0.html#axzz20 x9I1pry>

**Thika highway – Kenya's new property hot spot**

London-based private equity firm Actis is planning to invest in a 130,000 m2 mixed use development in Kenya, which will host the largest retail mall in East Africa. The Garden City development will be located along the Nairobi-Thika road, a KSh. 27 billion (US\$322 million) new highway. This is the latest major commercial project to be announced ahead of the completion of the Thika highway in September. Thika is an industrial town about 40 km north-east of Nairobi. Other firms that have eyed investments along the highway include supermarket chains Uchumi and Nakumatt, PepsiCo which is establishing KSh. 2.4 billion (\$29 million) bottling plant, and European furniture chain IKEA. Several residential projects like Tatu City, Migaa, and Thika Green have also been inspired by the eight lane highway, which will ease traffic along the busy Nairobi-Thika road.

<http://www.howwemadeitinafrica.com/thika-highway-%E2%80%93-kenyas-new-property-hot-spot/18204/>

**American firm eyes digital migration in Kenya**

An American company is taking advantage of Kenya's impending digital migration by targeting the local market for television equipment. On Tuesday, Harmonic announced plans to introduce new digital content distribution and storage, including multiscreen video targeted at growing smartphone and tablet users. The firm projects that sales in Kenya will grow by 40 per cent by 2015, the international deadline for broadcasters to migrate from analogue to digital broadcasting. Harmonic is looking to Africa as sales in the West remain lukewarm. Currently, markets outside the United States make up 53 per cent of the company's revenue. Competition in Kenya's Pay TV sector has been growing as foreign companies battle for a piece of the market. Last month, StarTimes, a Chinese firm, announced its intention to invest Sh6.3 billion in the local digital broadcasting platform.

<http://www.nation.co.ke/business/news/American+firm+eyes+digital+migration+in+Kenya/-/1006/1443592/-/8effmkz/-/index.html>

## PART V: OTHER NEWS (6/6)

### Mogadishu: East Africa's newest business destination?

Somalia's capital Mogadishu is emerging as the newest business destination in East Africa. New businesses have sprung up in 2012 as investors' confidence in the country improves. Some business people argue that Somalia's 20 years of turmoil are coming to an end, opening up endless opportunities. Though security has been a big issue in Somalia, the situation has improved. Since Kenyan forces launched an onslaught on al-Shabaab in retaliation to the kidnapping of tourists on Kenyan soil, the militant group has lost its stronghold in towns like Mogadishu and Afmadow. Reports indicate that Kenyan troops and the African Union force in Somalia, known as AMISOM, are also close to recapturing the strategic port of Kismayo. Mogadishu is losing the dreaded "world's most dangerous city" tag and embassies are reopening as countries mend diplomatic ties severed almost 20 years ago. The Somali diaspora community has also begun coming back home to rebuild the country. In May this year, First Somali Bank (FSB), a commercial bank championed by the diaspora community, opened its first branch in Mogadishu. The bank estimates remittances to Somalia to be around US\$2 billion every year. Lino Carcoforo, an Italian-Somali entrepreneur behind Innovation for Africa, an early stage investment fund focused on mobile phone based technology startups in east Africa, marvels at the enterprising spirit of the Somali people. The Somali populated Eastleigh area in Nairobi has become the commercial hub of Kenya's capital. Somali entrepreneurs are credited for the transformation of the residential area to a mini-city nicknamed Mogadishu ndogo (Swahili for 'small Mogadishu'). Carcoforo's fund is hoping to make investments in Somalia in the future.

<http://www.howwemadeitinafrica.com/mogadishu-east-africas-newest-business-destination/17661/>

### Fusion Capital to establish new Fund

East Africa-focused private equity firm Fusion Capital intends to set up a new fund dedicated to raising capital from institutional investors. This will be the firm's second private equity fund, having launched its maiden - Fusion African Access, a \$150 million fund earlier in the year. Fusion Capital's interest in setting up a vehicle for institutional investors comes as the private equity industry in Africa works ways of unlocking local sources of capital to reduce overdependence on international development finance institutions. Regulatory hurdles have been blamed for the inability of pension funds and insurance companies. Ms Diana Gichaga, the firm's head of investor relations explained that the investors in its current fund are ultra and high network individuals from Europe. However, it caters for both institutional and individual investors. The fund with its headquarters in Nairobi has offices in Rwanda, Uganda and Tanzania, has already invested \$5.7 million in nine firms in the region. The investments were made over the last five months in the firms-four in Kenya, three in Uganda and two in Rwanda-are scattered around the agro-processing, real estate, construction, retail and other sectors. According to Ms Gichaga, more investments are lined up, and could see the fund make a debut deal in Burundi. Fusion Capital's Fusion African Access fund is regulated by the Guernsey Financial Services Commission, though it is not involved in its decision making process.

<http://www.theeastafrican.co.ke/business/Fusion+Capital+to+establish+new+Fund/-/2560/1440834/-/5yk9i1/-/index.html>

### Ethiopia to Privatize Six Enterprises

Ethiopia is set to privatize six enterprises through auction as the financial year winds down. Ghion Hotel and Awash Winery are expected to be part of the six according to sources. The minimum price set for Ghion Hotel is expected to be between 100 and 150 million US dollars whereas the indicative price for Awash Winery will be set at 438 million birr according to unofficial sources. This was not confirmed by Wondafrash Assefa, Director of Corporate Communications for the Privatization and Public Enterprises Supervising Agency. Other bids include the office of Limu Coffee Plantation Development Enterprise, Engineering Enterprise, Construction Works & Coffee Technology Development and Batu Construction plc. This will be the third tender issued by the PPESA this fiscal year with nine offers approved in previous bids while other enterprises failed to attract the appropriate amount of interest. The current tender will include some of the companies that failed to attract attention in the previous lots to help the Agency reach the targets it had set for this financial year. The bid opening date set for this lot, 8th of August however will mean that transfer will occur in the next fiscal year show deals be struck on the current tender.

<http://www.2merkato.com/201206271374/ethiopia-to-privatize-six-enterprises>

## PART VI: BURBIDGE CAPITAL APPOINTMENT

### New appointments

#### **Riyaz Takim**

##### **Non Executive Director**

Riyaz is based in Dar from where he manages interests in the Real Estate and Tourism sectors. He previously spent five years as Country Manager with Aureos Capital, an emerging market focused private equity fund, where his responsibilities included deal origination, execution and portfolio management. Prior to Aureos, he worked with CIBC World Markets for five years in their London, New York and Toronto offices. His industry experience spans Financial Services, Tourism, FMCG, Transport Logistics, Pharmaceuticals, Agri-processing, Telecommunications, Manufacturing and Real Estate. Riyaz has a B.Sc. in Economics and an M.Sc. in MIS both from the London School of Economics. He currently sits on the board of United Bank Limited.

#### **Rakeb Abebe**

##### **Consultant in Ethiopia**

Rakeb has a Master's degree in Management Information Systems and Finance, George Washington University, Washington DC. Between 2005 and 2011, she was a Project Manager, financial and business analyst at investment banks and financial institutions in the US, including Deutsche Bank, NYC, Morgan Stanley, FannieMae and NASD, Washington DC. She is the Founder and Managing Director, GAWT International Business, an agricultural commodity trading and brokerage company based in Addis Ababa; and the Global Shaper for Addis Ababa hub, for the World Economic Forum. Rakeb is a Member of the Ethiopian Commodity Exchange (ECX).

#### **Joel Ssemukaaya CFA**

##### **Corporate Finance Associate**

Joel previously worked as an Investment Manager with Grofin, an African-focused SME fund. Prior to that, he worked with SNV Netherlands Development Organisation and African Agricultural Capital. He holds a Masters degree in Investment Management from the University of Reading, a Bachelors degree in Economics from Makerere University and is a Chartered Financial Analyst.

#### **Susan Kangok**

##### **Corporate Finance Analyst**

Susan has had experience in the banking sector as well as procurement having worked at Kenya Commercial Bank and with International Supply Chains Solution Ltd respectively. She holds a Bachelors degree in Commerce-Finance Major (First class Honors) from Strathmore University. Susan is also a Certified Public Accountant (CPA) finalist.

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